CAMPBELL CHIBOUGAMAU MINES LTD.

NO PERSONAL LIABILITY

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30

1969

The Directors of CAMPBELL CHIBOUGAMAU MINES LTD.,
are pleased to present this . . . their Annual Report
to the shareholders for the year ended June 30th, 1969

HIGHLIGHTS

	1969*	1968
Metal sales	$14,644,712	$17,510,626
Average copper price per lb.	54.6¢	52.3¢
Operating profit	$ 5,533,467	$ 6,424,352
Net profit	$ 2,750,561	$ 3,379,612
Net profit per share	61.4¢	75.4¢
Common shares outstanding	4,483,017	4,483,017
Equity per share	$ 9.00	$ 8.39
Working capital	$ 8,910,317	$ 8,646,125
Cash flow from mining operations	$ 2,645,627	$ 1,114,544
Tonnage milled	949,715	1,003,064
Copper produced — lbs.	29,138,700	31,084,388
Capital expenditures — buildings, equipment and development	$ 2,221,207	$ 4,052,223

** Covers operations for 9½ month period. Company's properties were shut down due to strike action for 2½ months.*

ANNUAL MEETING

To be held October 29, 1969 at Le Chateau Champlain, Montreal, Quebec

English and French editions of this Annual Report may be obtained from the Executive Office of the Company at 55 Yonge Street, Toronto, Ontario.

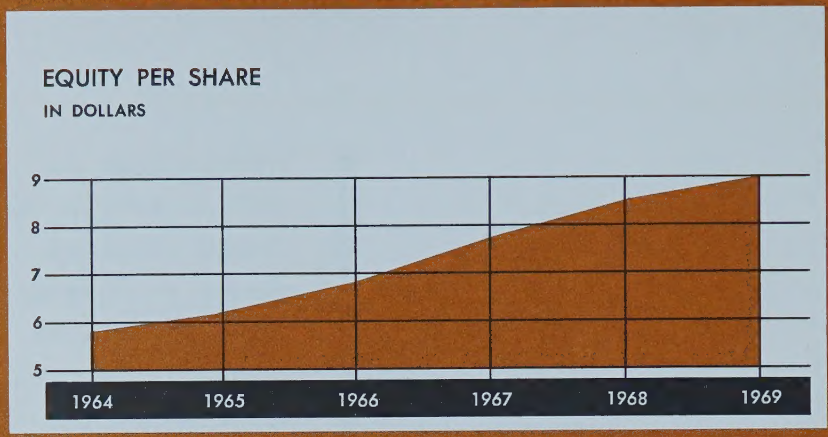
On peut se procurer des copies additionnelles de ce Rapport Annuel, en anglais ou en français, en s'adressant au siège administratif de la compagnie, au 55 Yonge Street, Toronto, Ontario.

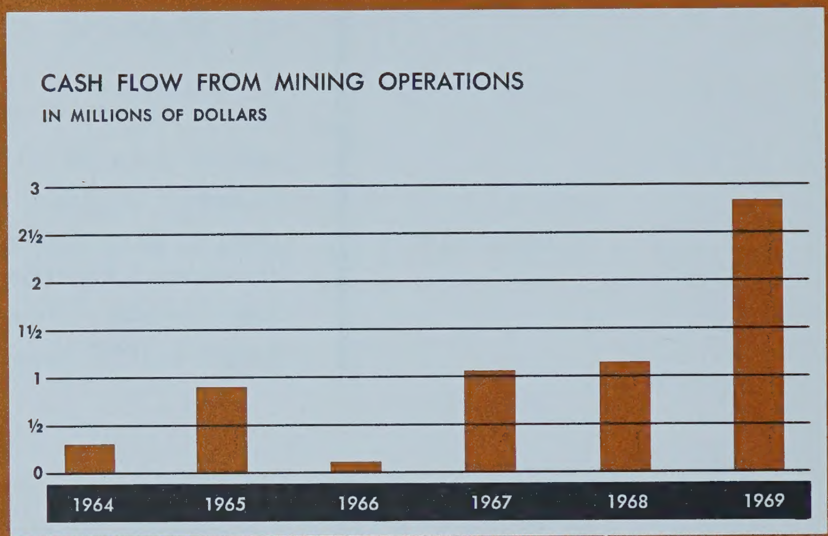
DIRECTORS	FRANK H. BLAIR, New York, N.Y. JACK. N. BLINKOFF, New York, N.Y. EVERETT CALLENDER, New York, N.Y. ROLAND D. CRANDALL, New York, N.Y. CHARLES L. McALPINE, Toronto, Ont. A. HAWLEY PETERSON, New York, N.Y. JOHN G. PORTEOUS, Q.C., Montreal, Que. ROBERT M. REININGER, New York, N.Y. ALEX SAMSON, Toronto, Ont.
OFFICERS	JACK N. BLINKOFF, Chairman of the Board CHARLES L. McALPINE, President JOHN G. PORTEOUS, Q.C. Vice-President & General Counsel ALEX SAMSON, Treasurer & Asst. Secretary ROBERT R. TOPP, Secretary & Asst. Treasurer

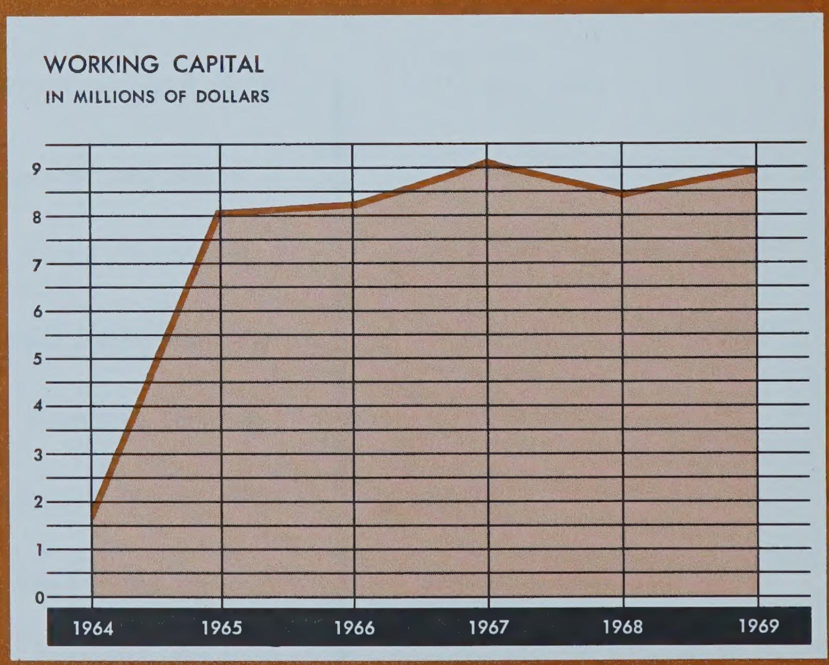
CAMPBELL CHIBOUGAMAU MINES LTD.

(NO PERSONAL LIABILITY)

MINES MANAGER	G. W. FLUMERFELT, Chibougamau, Que.
EXPLORATION MANAGER	C. A. KRAUSE, Toronto, Ont.
CONSULTING GEOLOGIST	S. E. MALOUF, Toronto, Ont.
REGISTRAR AND TRANSFER AGENT	MONTREAL TRUST COMPANY, Toronto, Ont.
TRANSFER AGENT	THE TRUST COMPANY OF NEW JERSEY, Jersey City, N.J.
AUDITORS	ARTHUR YOUNG, CLARKSON, GORDON & CO., Toronto, Ont.
EXECUTIVE OFFICE	55 Yonge Street, Toronto, Ont.
HEAD OFFICE AND MINE OFFICE	Chibougamau, Que.







Working capital was reduced in 1968 and 1969 by provision for repayment, in each year, of $2,000,000 U.S. of long term debt.

DIRECTORS' REPORT

JACK N. BLINKOFF
Chairman of the Board

CHARLES L. McALPINE
President

Your Directors are pleased to submit the Annual Report of your Company for the fiscal year ended June 30, 1969. The shutdown of the Company's properties from June 14 to September 3, 1968, as a result of strike action had, of course, a substantial effect on the year's earnings. Your Directors are encouraged, however, to report that an increase in mill throughput, greater mechanization of mining operations, higher copper prices and a sustained effort by management to control costs and improve productivity, have significantly reduced the shutdown's effect on profits. After a small loss in the first six months, a net profit of $2,778,149 (62¢ per share) was realized in the second half of fiscal 1969 representing the highest profit the Company has enjoyed in any six-month period since 1956. The Company is in a strong position to achieve accelerated progress in the year now under way. Unaudited figures indicate a net profit of approximately $1,900,000 (43¢ per share) for the first quarter of fiscal 1970.

FINANCIAL REVIEW

Elsewhere in this report are included the audited balance sheet, statements of income and retained earnings and source and application of funds, for the fiscal year.

The following table gives a comparison with the previous fiscal year:	1969	1968
Metal Sales (copper and precious metals)	$14,644,712*	$17,510,626
Average copper price per lb.	54.62¢	52.29¢
Operating profit before interest, write-offs, and mining duties	$ 5,533,467*	$ 6,424,352
Per share	$1.23	$1.43
Net profit for the year	$ 2,750,561*	$ 3,379,612
Per share	61.4¢	75.4¢
Common shares issued and outstanding	4,483,017	4,483,017
Working capital	$ 8,910,317	$ 8,646,125

* Sales and profit in 1969 are for a nine and one-half month period. Company's properties were shut down due to strike action for two and one-half months.

The average copper price received during the year was again a record. Pounds of copper sold were some 20% lower in 1969 than in 1968, due to the shutdown. Despite increased labour costs and the effect of inflation on all operating expenses, the total operating cost per pound of copper was lower in 1969 than in the previous year. A reduction in development write-offs due to lower tonnage and increased interest revenue also contributed to profits. The lower net profits were entirely due to the loss of production during the strike.

Your attention is directed to the Statement of Source and Application of Funds which shows a net of $2,645,627 generated from mining operations, a very substantial increase from the previous year. This results almost entirely from a reduction in development and stope preparation costs, made possible after the heavy costs incurred in the previous three years in a successful effort to significantly increase proven ore reserves. The shareholders' attention is directed to the graph which highlights the sharply rising cash flow from operations.

This year, another $2,000,000 U.S. was paid on September 15, into the sinking fund for retirement of a similar amount of 6% First Mortgage Bonds, leaving a balance outstanding of $2,500,000 U.S.

As in prior years, no provision has been made for taxes under the Income Tax Act (Canada) as profits are offset by accumulated depreciation and development allowances available to the Company. Allowances totalling $18,000,000 are still available to be applied against future profits for tax purposes.

OPERATIONS

During the year 949,715 tons grading 1.63% copper and .033 ounces in gold were processed. The three-year collective labour agreement signed on September 2, 1968, permitted a seven-day week operation of the mill. The resultant increase of 17% in milling capacity has been utilized continuously with an average of 3,160 tons of ore processed daily since resumption of operations after the shutdown.

Ore reserves exceed 10,000,000 tons for the first time since 1959. They are reported as 10,337,850 tons grading 1.95% copper and .046 ounces in gold. Details of the ore reserves appear on page 9. The increase in tonnage and a decrease in copper grade primarily result from the addition to proven reserves of approximately 1,500,000 tons grading 1.00% copper, outlined on the Company's Merrill Island property. Commencement of extraction of this ore in the current fiscal year is planned. An increase in mill capacity is under study as a result of the availability of this ore.

HENDERSON

Production increased to 510,000 tons in only ten months as compared with 455,000 tons in the prior twelve months, reflecting use of increased mechanization.

Exploration beyond the area of the original reserves is now under way. This is directed towards a large anomaly located by an airborne survey similar to the one that led to the Henderson Mine, but is some 3,000 feet further east into Chibougamau Lake. Access to the anomaly is being provided by a drive on the 525 level. The drive has encountered a series of ore lenses, the best and latest one averaging 4.32% copper and 0.04 ounces in gold over 6.3 feet for a length of 458 feet.

A vertical hole down from the hanging wall portion of the zone yielded 3.64% copper and 0.02 ounces

in gold for a length of 151 feet starting approximately 100 feet below the 525 level. The banding in the core suggests true widths of 20 to 50 feet.

The values are along a known structure and a decision was made to explore the zone systematically by extending drives to the same zone on the 650 and 900 levels. These headings should reach their objective before the end of the year.

The 525 level heading has been extended beyond the new ore occurrences and is currently nearing the centre of the airborne anomaly.

CEDAR BAY

Production was increased with a modest grade improvement. Ore reserves were maintained with the finding of a new zone 1000 feet north of the main shaft. The zone has been opened up on the 1750 and 1575 levels and may extend to surface. The same zone should be reached shortly by a cross-cut on the 1900 level. 184,000 tons grading 1.61% copper and 0.169 ounces in gold have been outlined on this zone to date and development is continuing.

ORIGINAL MINE AREA

Production was maintained with an increase in sublevel stoping. Additions to reserves were made primarily by a thorough assessment of the mineralized zones surrounding the stoped-out areas in the upper section of the Merrill Mine. This has added over 1.5 million tons of 1% copper readily extractable with open stope methods within 500 feet of the Original Mine's ore pass and the mill.

EXPLORATION

The Company has plans for an accelerated programme of outside exploration in the Chibougamau area. It includes winter drilling directed at an airborne anomaly north of Portage Island, positioned on Chibougamau Lake by an induced polarization survey.

Extensive exploration was carried out by Metallgesellschaft and its associated company Sachtleben last winter on the Lake Chibougamau claims optioned by Campbell to the two companies. These companies have until June 1970, to decide whether an additional $900,000 will be expended on these claims.

The Company has retained its 27% interest in Bellomar Inc., which is continuing the exploration of bauxite and iron concessions in the Dominican Republic. Bellomar Inc., has extended its holdings to include additional bauxite areas.

The Company retains its extensive iron deposits in the Chibougamau area. Marketing contacts suggest an improved climate for the development of deposits with the size and location advantages of these occurrences.

METAL PRICES

A change in pricing basis in February, 1969 resulted in an increase from 40% to 80% in the portion of the Company's copper sales being made on the basis of the London Metal Exchange cash seller's quotation. The average price realized on these sales has been substantially higher than the Canadian price. The remaining 20% is based on the general Canadian price, increased on September 5, 1969 from 53 cents to 57 cents Canadian. The increase of 4% in the average copper price from the previous year

is a reflection of the change in pricing basis. The high prices obtained over the past three months will reflect in the earnings for the current year.

GENERAL

Your Directors are pleased to announce the election of Charles L. McAlpine as President of the Company. Mr. McAlpine joined the Company in 1961 and has served as Executive Vice-President since October 30, 1968.

In addition, there have been a number of recent senior staff appointments. Effective July 15, 1969, George W. Flumerfelt was appointed Mines Manager and Renaud Hinse, Assistant Mines Manager. François Dompierre has been appointed Chief Mine Geologist and Kenneth J. Hill, Planning Engineer.

SUMMARY

The Company continues to generate increasing funds from its mining operations. A most satisfactory working capital position is currently enjoyed and only $2,500,000 U.S. in mortgage bonds now remain outstanding.

The Company holds over 950 mining claims in the Chibougamau area covering approximately 40,000 acres and considered good exploration ground. In the past, sufficient funds have not been available to adequately explore these holdings. An increased annual budget is now planned for activity on the Chibougamau properties. The knowledge gained over the past 20 years and the experience of the Exploration Staff in this area puts the Company in a strong position to make effective use of its money on holdings which are felt to have good potential.

In addition to this extended activity, a more aggressive approach outside the Chibougamau area is planned. An Exploration Department is being established in the Executive Office for this purpose. C. A. Krause has been transferred from Chibougamau to Toronto to take the position of Exploration Manager.

In the last six years of its operation the Company has taken significant forward steps which have consolidated its position and resulted in substantial growth. This is illustrated in a number of graphs in this report, which shareholders will find of interest.

The Directors consider that the Company is now in a financial position to aggressively seek opportunities for diversification and growth. Management is considering opportunities which are presented to it. With judicious use of its present resources and properties, the years ahead should hold great promise for the Company.

Your Directors are pleased to express their sincere thanks to the Management and Staff, for their determined effort and loyal services throughout the year.

On behalf of the Board of Directors

Jack Blinkoff

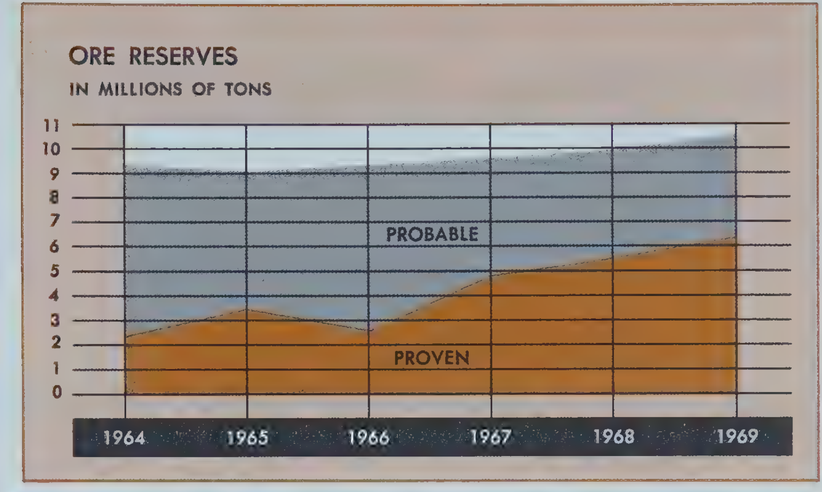
JACK N. BLINKOFF
Chairman of the Board

Charles L. McAlpine

CHARLES L. McALPINE
President

October 2, 1969

ORE RESERVES



REPORT OF CONSULTING GEOLOGIST

The following summary of ore reserves is presented as of June 30, 1969 (with comparative figures for the previous year).

	Division	JUNE 30, 1969 Tons	% Cu	Au Oz./Ton	JUNE 30, 1968 Tons	% Cu	Au Oz./Ton
Proven:	Henderson	3,810,722	2.15	.041	4,296,201	2.22	.042
	Cedar Bay	523,215	2.18	.153	541,563	2.50	.120
	Original Mine	297,371	1.38	.023	155,337	1.83	.038
	Kokko Creek	—	—	—	3,500	3.07	.014
	Merrill Mine	1,547,383	1.00	.005	18,889	2.78	.073
	Chib-Kayrand**	41,703	2.98	.014	44,608	2.10	.002
	Grandroy**	—	—	—	37,148	1.76	.021
		6,220,394	1.84	.040	5,097,246	2.24	.050
Probable:	Henderson	3,667,190	2.17	.053	3,811,458	2.16	.063
	Cedar Bay	162,846	2.19	.146	142,520	2.29	.152
	Original Mine	106,645	1.30	.013	277,237	1.35	.009
	Kokko Creek	140,654	1.45	.010	142,388	1.45	.010
	Merrill Mine	17,499	1.16	.013	385,298	1.16	.017
	Chib-Kayrand**	22,622	2.44	.006	19,170	2.22	.004
	Grandroy**	—	—	—	—	—	—
		4,117,456	2.12	.054	4,778,071	2.02	.057
* Total Proven and Probable		10,337,850	1.95	.046	9,875,317	2.13	.053

Not included in the total reserves are 4,074,353 tons grading 1.10% copper and .018 ounces in gold as the amount extractable is uncertain at this time. This consists of 838,500 tons of 2.64% copper and .052 ounces in gold in surface and boundary pillars at Henderson; 104,656 tons grading 1.62% copper, .015 ounces in gold in the Original Mine Winze; 2,876,741 tons grading 0.60% copper and .007 ounces in gold in the Merrill Mine, in part below the shaft bottom; 254,456** tons grading 1.50% copper, .028 ounces in gold below the pit bottom at Grandroy.

* The ore reserve tabulation is based on a 1.5% copper equivalent cut-off for Cedar Bay and Henderson with moderate exceptions where detailed drilling above existing workings warrants a 1% cut-off and a less than 1% cut-off where mass mining techniques are considered at the Merrill Mine and the Original Mine.

** Ore reserves in property not owned by Company but in which Company has a 50% net profit interest.

Submitted by,
S. E. MALOUF, Consulting Geologist

October 2, 1969

CAMPBELL CHIBOUGAMAU MINES LTD.

(Incorporated under the Quebec Mining Companies' Act) (No Personal Liability)

BALANCE SHEET—JUNE 30, 1969

(stated in Canadian dollars with comparative figures at June 30, 1968)

ASSETS

		1969	1968
Current assets:			
Cash		$ 70,034	$ 107,432
Short-term investments at cost which approximates market value		6,406,940	7,797,670
Accounts receivable —			
Metal settlements	$2,059,123		
Other	375,278	2,434,401	1,662,239
Concentrates at smelter and in transit, valued on the basis of production cost (estimated realizable value $6,960,000 in 1969; $3,530,000 in 1968)		3,807,452	2,494,543
Mine and mill stores, at the lower of cost or replacement cost		887,377	912,515
Prepaid expenses		116,719	135,293
Total current assets		13,722,923	13,109,692
Investment in associated companies, at cost (note 1)		1,422,890	1,413,231
Property, plant and equipment, at cost:			
Mine buildings, mill and staff dwellings	5,456,008		5,448,849
Machinery, equipment and office furniture	8,448,893		8,207,558
Lots and housing	1,186,779		1,186,779
	15,091,680		14,843,186
Less accumulated depreciation	8,270,226		7,553,054
	6,821,454		7,290,132
Mining properties (note 2)	5,494,006		5,494,006
		12,315,460	12,784,138
Deferred expenses:			
Stope preparation costs, less amounts written off (note 3)	2,464,878		2,039,342
Preproduction and deferred development expenses, less amounts written off (note 4)	16,928,180		17,013,723
Prospecting and exploration on outside properties, at cost less amounts written off in respect of abandoned properties	1,119,488		865,985
Unamortized portion of bond issue expense	64,649		84,533
		20,577,195	20,003,583
		$48,038,468	$47,310,644

(See accompanying not

AUDITO

To the Shareholders of
Campbell Chibougamau Mines Ltd. (No Personal Liability):

We have examined the balance sheet of Campbell Chibougamau Mines Ltd. (No Pe
source and application of funds for the year then ended and have obtained all the informati
accepted auditing standards and accordingly included such tests of accounting records and su

Except that provision for deferred income taxes has not been made on the tax allocati
the explanations given to us and as shown by the books of the Company, the aforementione
of the affairs of the Company at June 30, 1969 and the results of its operations and the sour
accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
October 2, 1969.

LIABILITIES

		1969	1968
Current liabilities:			
Accounts payable and accrued liabilities		$ 2,283,498	$ 1,936,634
Taxes and duties payable		119,562	120,095
Long-term debt instalments due within one year		2,409,546	2,406,838
Total current liabilities		4,812,606	4,463,567
Long-term debt:			
6% First Mortgage Bonds due October 1, 1973 — Authorized and issued less retired $4,540,000 U.S. (current Canadian dollar equivalent $4,910,294) (note 5)	$ 4,881,701		
Less amount due within one year	2,150,529	2,731,172	4,838,691
Due to Merrill Island Mining Corporation Ltd. in instalments to January 5, 1971 with interest at 5%	300,000		
Less amount due within one year	200,000	100,000	300,000
4¾% secured housing loans repayable by instalments over periods of 1 to 3 years	98,155		
Less instalments due within one year	59,017	39,138	103,395
		2,870,310	5,242,086
Shareholders' equity:			
Capital stock —			
Common shares of $1 par value			
Authorized — 5,000,000 shares	$ 5,000,000		
Issued and outstanding — 4,483,017 shares		4,483,017	4,483,017
Premium on shares (net)		8,622,230	8,622,230
		13,105,247	13,105,247
Retained earnings (note 5)		27,250,305	24,499,744
		40,355,552	37,604,991
		$48,038,468	$47,310,644

On behalf of the Board:

JACK N. BLINKOFF, Director.

JOHN G. PORTEOUS, Q.C., Director.

o financial statements)

REPORT

l Liability) as at June 30, 1969 and the statements of income and retained earnings and
d explanations we have required. Our examination was made in accordance with generally
her auditing procedures as we considered necessary in the circumstances.

sis as explained in note 7, in our opinion, and according to the best of our information and
ncial statements are properly drawn up so as to exhibit a true and correct view of the state
d application of its funds for the year then ended, in conformity with generally accepted

ARTHUR YOUNG, CLARKSON, GORDON & CO.,
Chartered Accountants.

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended June 30, 1969

(stated in Canadian dollars, with comparative figures for the 1968 year)

		1969	1968
Income:			
Metal sales		$14,644,712	$17,510,626
Operating expenses:			
Inventory of metals, beginning of year	$ 2,494,543		2,960,910
Mining and milling	7,687,466		7,949,373
Freight, smelting and refining	2,409,678		2,456,415
General administration	327,010		214,119
	12,918,697		13,580,817
Less inventory of metals, end of year	3,807,452		2,494,543
		9,111,245	11,086,274
Operating profit before write-offs, mining duties and interest		5,533,467	6,424,352
Deduct:			
Write-offs —			
Provision for depreciation (note 6)	841,272		794,023
Preproduction and deferred development expenses written off (note 4)	1,899,430		2,006,128
Loss on disposal of fixed assets	34,726		97,151
Amortization of bond issue expense	19,884		16,080
Exploration expenditure written off	796		17,893
	2,796,108		2,931,275
Provision for mining duties	125,000		125,295
Interest income after deducting interest on long-term debt of $351,125 in 1969; ($430,602 in 1968)	(138,202)		(11,830)
		2,782,906	3,044,740
Net profit for the year (note 7)		2,750,561	3,379,612
Retained earnings at beginning of year		24,499,744	21,120,132
Retained earnings at end of year		$27,250,305	$24,499,744

(See accompanying notes to financial statements)

CAMPBELL CHIBOUGAMAU MINES LTD.
(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Year Ended June 30, 1969
(stated in Canadian dollars with comparative figures for the 1968 year)

	1969	1968
Funds provided from mining operations:		
Net profit for the year	$2,750,561	$3,379,612
Add charges against operations which in themselves did not require a cash outlay during the year —		
Stope preparation costs written off	1,109,411	1,234,597
Other write-offs deducted in the statement of income and retained earnings	2,796,108	2,931,275
	6,656,080	7,545,484
Less funds applied to mining operations:		
Preproduction and deferred development expenses	1,813,887	2,944,964
Additions to property, plant and equipment (net)	407,320	1,107,259
Stope preparation	1,534,947	2,232,055
Prospecting and outside exploration	254,299	146,662
	4,010,453	6,430,940
Excess of funds provided over funds applied on mining operations	2,645,627	1,114,544
Other transactions affecting working capital:		
Net decrease in long-term debt	2,371,776	1,911,838
Investment in associated companies	9,659	10,114
Issue of share capital		(350,000)
Net application of funds resulting from other transactions	2,381,435	1,571,952
Excess (deficiency) of total funds provided over total funds applied	264,192	(457,408)
Working capital at beginning of year	8,646,125	9,103,533
Working capital at end of year	$8,910,317	$8,646,125

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

June 30, 1969

1. **Investment in associated companies**

The investment in associated companies is comprised of the following:

(a) Chibougamau Mining & Smelting Co. Inc. (No Personal Liability) —

	1969	1968
Number of shares ..	802,083	802,083
Cost	$ 996,505	$ 996,505
Equity based on audited financial statements as at June 30	$ 349,750	$ 354,600
Market value based on bid price as at June 30	$ 487,500	$ 412,500

These shares are listed on the Toronto Stock Exchange. The equity referred to above is represented mainly by marketable securities, mining claims and deferred expenses at cost less amounts written off, which does not necessarily represent the present value of these assets. Chibougamau Mining & Smelting Co. Inc. also has a royalty interest in certain undeveloped mining claims. The claims, in which the Company has a direct or royalty interest, are located for the most part in the Chibougamau area of Quebec.

(b) Cia Minera Trans Rio S.A. de C.V. — 19,200 shares and advances —

Cost:	1969	1968
Shares	$ 65,000	$ 65,000
Advances	361,385	351,726
	$ 426,385	$ 416,726
Equity based on unaudited financial statements (including advances)	$ 392,105	$ 382,446
Market value	Unlisted	

Cia Minera Trans Rio S.A. de C.V. is a company possessing ore reserves in Mexico and has been inactive since 1957. One-half of its standby expenses are being paid by the Company and are included above as advances. During the year ended June 30, 1968, the Company and the other shareholders transferred 52% of their shares of Cia Minera Trans Rio S.A. de C.V. to Mexican nationals in order to obtain certain government concessions under Mexican law. As a result of this action the Company's investment in this company has been reduced to 19,200 shares from the 37,500 shares previously held. As yet the consideration for the transfer of these shares has not been determined. Accordingly, no reduction has been made in the value of the shareholdings.

2. **Mining properties**

As in previous years, no provision has been made against operating income for depletion of mining properties which are recorded at cost.

3. **Stope preparation costs, less amounts written off**

As stope preparation costs are considered by the Company to be properly allocable against tonnages of ore in related ore bodies, the Company follows the practice of deferring such costs

and writing them off to mining and milling expenses as the ore is extracted. $1,109,411 was written off during the year ended June 30, 1969 ($1,234,597 in the 1968 year) and included with mining and milling expenses.

4. Preproduction and deferred development expenses, less amounts written off

Preproduction and deferred development expenses have been written off at the rate of $2.00 per ton milled during each of the years ended June 30, 1969 and 1968. The rate per ton has been computed by dividing the total of present and estimated future reserves into the total of present unamortized development expense plus the anticipated costs of completing development of present and estimated future reserves.

5. Funded debt

The First Mortgage Bonds are entitled to a minimum annual sinking fund of $1,000,000 (U.S.) by September 15 in each of the years 1969 to 1971 inclusive, $1,250,000 (U.S.) in 1972 and $290,000 (U.S.) in 1973. Sinking fund payments may be accelerated based on the excess of annual cash flow, as defined, over amounts varying from $3,100,000 to $3,900,000. Under the above terms $2,000,000 (U.S.) will be paid into the sinking fund on September 15, 1969 and is included as a current liability at June 30, 1969.

Bonds with a principal value of approximately $1,948,000 (U.S.) will be redeemed by the Trustee with these funds on October 1, 1969.

The trust deed providing for the issue of the Company's bonds contains two restrictions regarding the amount that may be paid as dividends. At June 30, 1969, retained earnings in the amount of $2,161,000 were free from limitations under the more stringent of these conditions.

6. Depreciation

Depreciation in respect of most items of buildings and equipment has been calculated at the rate of 6% on the depreciated cost at June 30, 1958 and on the cost of subsequent additions. Mobile equipment is depreciated at the rate of 30% on the diminishing balance.

7. Income taxes and mining duties

No income taxes are currently payable on the net profit for the year because preproduction and deferred development expenses and depreciation allowances, in excess of amounts charged against income, may be claimed for tax purposes for the year. The Company's policy is to provide in its accounts only for income taxes and mining duties as they become payable.

This accounting treatment differs from the tax allocation basis under which the provisions for income taxes and mining duties would be based on income reported in the accounts. If the tax allocation basis had been followed in current and prior years, net profit for the year would have been reduced by $1,005,000 ($1,175,000 in 1968). The cumulative amount of deferred tax credits to June 30, 1969 not recorded in the accounts is $4,320,000 including $1,140,000 in respect of mining duties.

MINES MANAGER'S REPORT

G. W. FLUMERFELT

The following is a report of the operations of Campbell Chibougamau Mines Ltd. (N.P.L.) for the fiscal year ended June 30th, 1969.

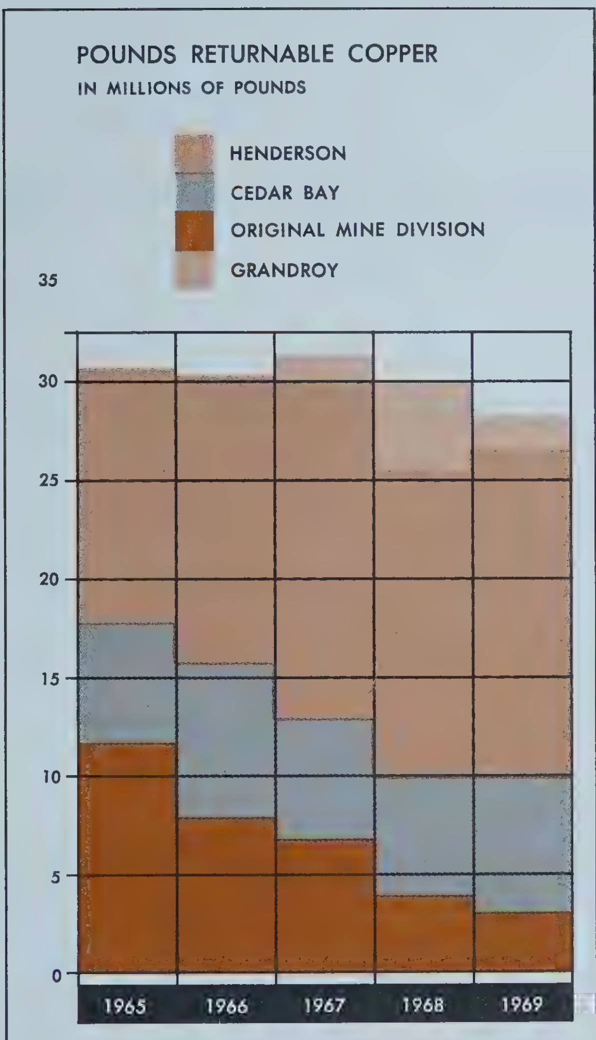
MILLING

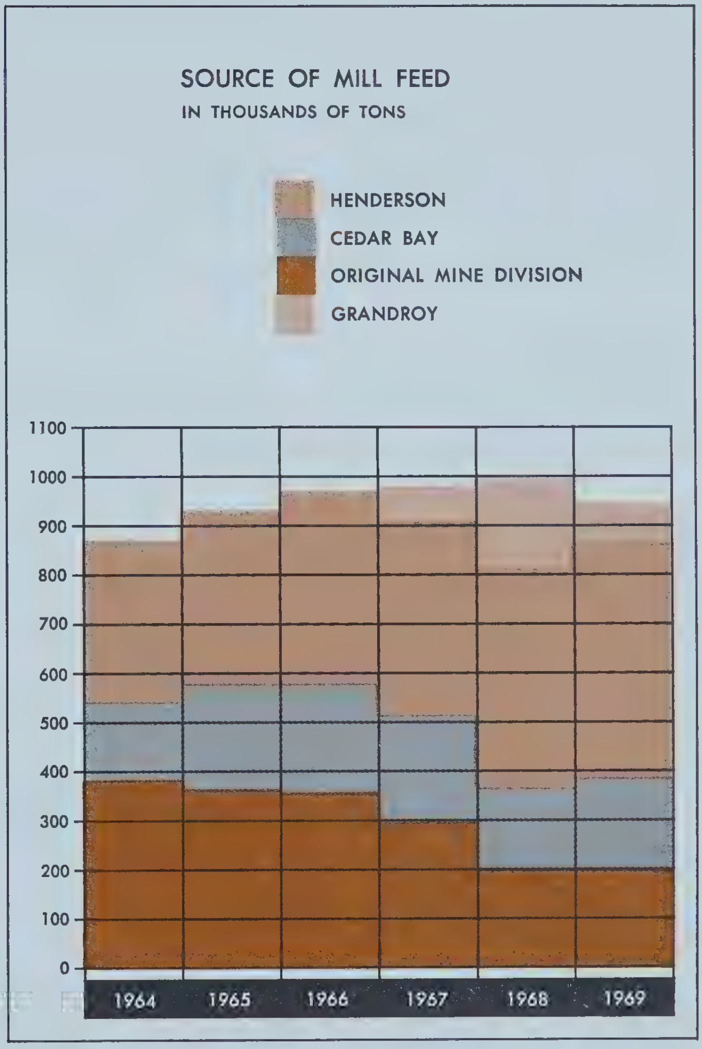
Ore processed by the Mill during the year amounted to 949,715 tons although milling operations were suspended until September 4th, 1968 due to strike action.
The average monthly throughput increased to 94,972 tons.

The following statistical data are reconciled to smelter returns:

	1968-69 (10 months)	1967-68 (12 months)
Tonnage Milled	949,715	1,003,064
Tons of Concentrate produced	65,642	70,768
Copper produced — lbs.	29,138,700	31,084,388
Gold produced — ozs.	25,546	27,898
Silver produced — ozs.	169,374	169,437
Milling Rate — Average Tons/Month	94,972	83,589

	Copper %		Gold Ozs. per Ton		Silver Ozs. per Ton	
	68-69	67-68	68-69	67-68	68-69	67-68
Mill Heads	1.63	1.65	0.033	0.034	0.243	0.228
Concentrate	22.20	21.96	0.389	0.394	2.580	2.394
Recovery — percent	93.89	93.63	81.84	81.52	73.49	73.94





MINING

The sources of ore milled and the quantity of metal sold are set out, by Divisions, on the above graphs and compared with previous years.

ORIGINAL MINE DIVISION (also known as Main Mine)

Although overall operating efficiency increased over the previous year, metal production decreased due to low tonnage and grade.

CEDAR BAY DIVISION

Metal production was greater because of increases in both tonnage and grade of ore produced.

Lateral development and stope preparation on the lower levels continued during the year.

HENDERSON DIVISION

Increased production offset a lower grade of ore resulting in greater metal production.

The crusher room excavation on the 2060 level was completed and the crusher installed.

Overall efficiency measured in tons broken per man-shift improved during the year.

GRANDROY

Production amounted to 55,477 tons grading 1.18% copper and 0.024 ounces in gold from the pit stock-pile. All production operations have ceased.

GENERAL

The overall efficiency of all Divisions increased by 2.6 tons broken per man-shift. This is a 20 percent increase over the previous year as illustrated on the following table.

The average number of employees was 666.

8,495 tons of ore from Bruneau Mine were treated on a custom basis.

OPERATING EFFICIENCIES — TONS BROKEN PER MAN-SHIFT

Stope Preparation and Stoping	MAIN MINE		CEDAR BAY		HENDERSON	
	68-69	67-68	68-69	67-68	68-69	67-68
Horizontal Cut and Fill Stoping	5.5	9.1	5.7	6.5	10.9	12.7
Transloader Cut and Fill Stoping	—	—	—	—	27.1	34.9
Cavo — Mechanical Cut and Fill Stoping	—	—	—	—	19.7	—
Sub-Level Stoping	14.7	15.4	10.0	15.0	20.5	16.2
Shrinkage Stoping	15.3	11.6	13.0	12.6	17.0	18.8
AVERAGE	14.7	12.4	11.7	12.1	17.1	13.6

Stoping Efficiency

Tons Broken Per Man-Shift — All Divisions 1968-69: 15.6 1967-68: 13.0

Contractor's Man-Shifts are included in operating efficiency calculations.

Submitted by,

G. W. FLUMERFELT, Mines Manager

SENIOR OPERATING STAFF — CHIBOUGAMAU

Mines Manager	G. W. FLUMERFELT
Assistant Mines Manager	R. HINSE
Production Superintendent	A. CLEMENT
Mine Superintendent — Henderson	J. R. MacDOUGALL
Underground Superintendent — Henderson	G. G. DANIS
Mine Superintendent — Original Mine and Cedar Bay	M. J. HOOPER
Underground Superintendent — Original Mine	F. J. LEMIEUX
Underground Superintendent — Cedar Bay	D. J. BOURGEOIS
Chief Mine Geologist	F. DOMPIERRE
Chief Exploration Geologist	P. C. MASTERMAN
Chief Engineer	J. C. ROUVIER
Planning Engineer	K. J. HILL
Chief Accountant	A. J. MARGOLIS
Manager — Systems & Data Processing	W. B. GOSS
Director of Personnel Services	D. G. PARENT
Chief Surveyor & Ventilation Engineer	W. KRUINING
Master Mechanic	V. KELNER
Electrical and Surface Superintendent	L. ROBERGE
Mill Superintendent	W. A. GRELL
Metallurgist	B. BIHARI
Mill Foreman	C. TAYLOR
Chief Assayer	J. MALETTE

THE HENDERSON NO. 2 HEADFRAME

Construction of this 185 foot high steel headframe with friction hoist was completed in 1966. In the past year 35% of the total tonnage milled came from the Henderson No. 2 shaft, now sunk to 2,200 feet.

Printed in Canada.

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CAMPBELL CHIBOUGAMAU MINES LTD.

(NO PERSONAL LIABILITY)

INTERIM REPORT

6 Months Ended

December 31, 1969

CAMPBELL CHIBOUGAMAU MINES LTD.

FINANCIAL SUMMARY

STATEMENT OF INCOME

	Six Months Ended December 31	
	1969	1968*
Metal Sales	$13,048,000	$4,491,000
Cost of Sales	6,927,000	3,416,000
Operating Profit	6,121,000	1,075,000
Write-off of depreciation, deferred development and other expenses	1,736,000	1,200,000
Interest Income	(173,000)	(67,000)
Mining Duties	426,000	(30,000)
Net Profit (Loss)	$ 4,132,000	$ (28,000)
Net Profit (Loss) per Share	92¢	(1¢)

* The Company's properties were shut down due to strike action for 2½ months in this period in 1968.

To the Shareholders: January 28, 1970

FINANCIAL

Record earnings for the six-month period ended December 31, 1969 result from high copper prices realized during the period and a greater throughput of ore. During the six months, an average of 105,000 tons of ore were milled each month (94,000 tons in fiscal 1969). The six months earnings of $4,132,000 have generated sufficient funds to provide not only for repayment of $2,000,000 (U.S.) of First Mortgage Bonds due in September 1970, but also to increase working capital by an additional $2,200,000. While earnings for the first six months are not necessarily indicative of those for the second six months, it is expected that world copper prices in the present range will continue for the balance of the fiscal year and the Company looks forward to satisfactory final results.

Recent discussions with the Government of Canada ended with a suspension until March 1, 1970 of an increase from 57¢ to 66¢ in the price for the Company's copper sold in Canada. At the same time, restrictions on the export of copper have not been changed, and the Company continues to sell 80% of its copper at London Metal Exchange prices, the same basis as in the first half of the fiscal year; consequently, the Company's earnings are not affected.

HENDERSON MINE

Development of New Zone

Development of the promising new ore zone, the initial results of which were announced in the Annual Report, continues at the Henderson Mine east of present reserves. In addition to the 525 drive, drifts have been extended into the new zone on the 650 and 900 levels where 616 feet grading 3.20% copper and 0.02 oz. gold and 239 feet grading 2.48% copper and 0.02 oz. gold, respectively, have been opened. The 775 level development is proceeding on an ore lead parallel to the main ore lead in the zone and 300 feet to the north. On the 1300 level, 246 feet of ore grading 3.38% copper and 0.02 oz. gold have been opened up with the new zone still to be encountered to the east. Results of this exploration are most gratifying as to tonnage and grade. Although the development is incomplete at this stage, it is expected that in the new zone, development thus far will add in excess of half a million tons of ore to the reserves. It is reasonable to expect that additions will be made as work progresses on lower levels. Inasmuch as present development is in the form of drifting, it will be some time yet before the full potential of the new zone is known. Since the new zone is in the proximity of present workings, extraction of the ore should commence in the current fiscal year.

The Company is pleased to announce its progress during the first half of the fiscal year.

On behalf of the Board of Directors

JACK N. BLINKOFF
Chairman of the Board

CHARLES L. McALPINE
President

Printed in Canada.